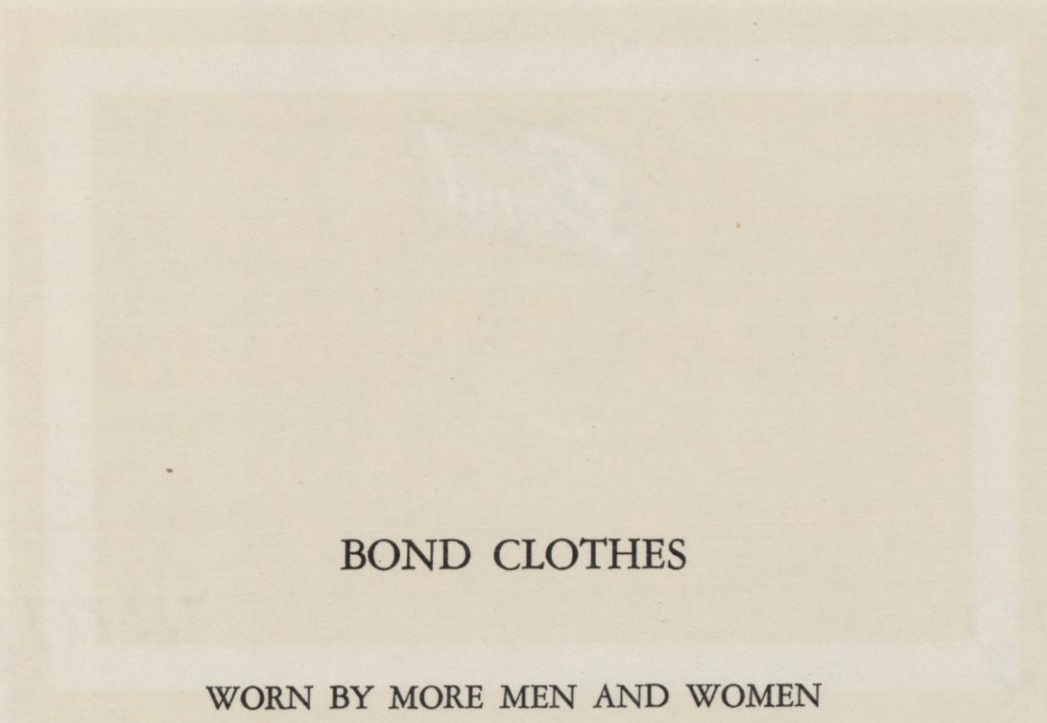




BOND STORES, INCORPORATED

ANNUAL REPORT TO STOCKHOLDERS

YEAR ENDED DECEMBER 31, 1947



BOND CLOTHES

WORN BY MORE MEN AND WOMEN

THAN ANY OTHER CLOTHES

IN AMERICA

OFFICERS

BARNEY RUBEN	<i>Chairman of the Board and President</i>
IRVING COHEN	<i>Vice-President</i>
JAMES W. CONNORS	<i>Vice-President</i>
SYLVAN N. KING	<i>Vice-President</i>
IRVING MOSELOWITZ	<i>Vice-President</i>
LOUIS A. GOOD	<i>Vice-President</i>
RUDOLPH STULZ	<i>Vice-President</i>
SAMUEL W. STRICKMAN	<i>Vice-President</i>
ELLIS H. SCHECHTMAN	<i>Secretary and Treasurer</i>
CARL F. KLEMENGER	<i>Assistant Secretary</i>

BOARD OF DIRECTORS

BARNEY RUBEN	SYLVAN N. KING
BENJ. J. FRIEDMAN	ELLIS H. SCHECHTMAN
IRVING COHEN	HERBERT H. MAASS
JAMES W. CONNORS	JOHN M. HANCOCK
IRVING MOSELOWITZ	MAURICE WERTHEIM

BOND STORES, INCORPORATED

380 FIFTH AVENUE
NEW YORK

March 26, 1948

TO THE STOCKHOLDERS OF BOND STORES, INCORPORATED:

Forwarded herewith are copies of the Balance Sheet and Statements of Income and Surplus of your Company for the year ended December 31st, 1947, examined by the Company's auditors.

Increased acceptance of our merchandise, based on our policy of good value at popular prices, was evidenced by the fact that unit sales as well as dollar sales for the year 1947 exceeded those of the previous year, which up to that time had marked the largest volume of sales in our history. Sales for 1947 were \$83,215,403.89 as compared with \$74,589,295.87 for the preceding year. The increase of \$8,626,108.02 was achieved with 57 retail stores in operation as against 58 for the preceding year. In furtherance of the policy of the Company to give outstanding values, your management delayed adjustments in retail prices of our clothing until December 15th, 1947, despite increases in the cost of raw materials, manufacture and operations, which resulted in a decrease in the earnings for the year. Profits for 1947 before and after Federal Income taxes aggregated \$14,150,300.55 and \$8,728,300.55, respectively, as against \$16,198,524.77 and \$10,020,524.77, respectively, for the prior year. We believe that our policy of low prices for fine merchandise which has been proven over the years, places us in a strong competitive position to meet the adjustment of economic conditions.

The Company enjoys a strong financial position. It has no bank indebtedness and no funded indebtedness, the long term indebtedness on the accompanying Balance Sheet being obligations of subsidiary companies. The Company has no outstanding Preferred Stock or other securities senior to the Common Stock. Regular quarterly dividends of 50¢ a share, or \$2.00 a share for the year, were paid on Common Stock.

Stockholders are familiar with the fact that in the latter part of 1942 we opened the first of our Ladies' Departments featuring ladies' coats and suits. The success of these departments encouraged us not only to increase the number of stores containing such departments but to add from time to time ladies' accessories, consisting of dresses, sweaters, blouses, hosiery, sportswear, lingerie, jewelry, handbags, as well as other items, all of which are being merchandised in the same manner of value giving as other departments have heretofore been operated. At the present time most of our stores carry such ladies' accessories as is permitted by the available space.

In the Fall of 1947 we reintroduced into a few of our stores the sale of student clothing and furnishings, which we had to discontinue during the war. At the same time we incorporated into this department boys' clothing and furnishings, and it is intended that as soon as we can manufacture and buy desirable merchandise to properly merchandise these departments, to carry same in all of our stores.

The additional items of merchandise offered by us has made necessary the enlargement of existing stores where possible or their replacement, as leases expired, with new larger units. The removal during the past year of all Governmental restrictions on building has enabled us to go forward more rapidly with our program for providing the required additional store space. The leases involved in this program were, with a few exceptions, executed in 1943, 1944 and 1945. It is well to note that most of such leases provide for substantial contributions and commitments by

our landlords toward the cost of alterations and new improvements. Governmental restrictions on building delayed our building program and prevented it from proceeding on a normal basis. We are pleased to inform you that we have recently been able to obtain firm construction contracts.

In October and November 1947, our new Cleveland and Cincinnati showplaces were opened. The public acceptance and the response to our opening celebrations more than gratified our expectations of these stores. Sales subsequent to the openings have prompted an upward revision of our original projections. Each of these stores represents a forward step in store architecture and merchandising design in each city. These stores contain all of our departments and in addition each has a department for the sale of ladies' footwear. The Cincinnati store also features a Beauty Salon.

During the past year construction was started on new stores in Reading, Pennsylvania and Brooklyn, New York. These stores will replace smaller existing units in their respective communities. Work is about to commence on two additional stores in the Los Angeles area. In accordance with our policy of presenting the most modern stores in their respective communities, alterations are progressing in other stores.

Alterations were also commenced on our Fifth Avenue, New York City building, located on the corner of 35th Street, in which, as stockholders were advised last year, will be opened the largest "Bond" showplace. Our Executive, Accounting and Buying Offices, as well as our warehouse, assembling and inspecting departments are already in operation in these premises.

In 1947 we purchased the premises located at State Street and Jackson Boulevard, Chicago, Illinois, through a wholly-owned subsidiary. These premises had previously been leased by us. To finance the purchase and most of the cost of the new showplace to be erected on these premises, the subsidiary arranged a loan on very favorable terms with an insurance company. Construction of this new store started recently.

The completion of our factory in Rochester, New York, has been disappointingly delayed. However, one of our major departments was moved in and commenced operation during the past Fall. It is now expected that this plant will be ready for complete operation before the end of the Summer. Now that it is nearing completion, its outstanding and unique qualities are evident.

During the past year all of the operating assets of "Rotary Shirt Company" and its affiliated companies were acquired by us, so that manufacturing operations of these companies are now carried on by subsidiaries of our Company. As was indicated in my letter to you last year, our acquisition of the assets of these companies did not interfere with purchases from other suppliers with whom we have always dealt.

As in past years, a substantial bonus was again paid to all of our employees, except the President. The record sales and satisfactory showing for the year 1947 again bespeak the loyalty and zeal of every member of our organization, without whose full cooperation these results could not have been achieved, and to whom once again I express my earnest thanks.

Your management looks forward with every confidence to Bond's greatest achievements in the year 1948.

Respectfully submitted,

Barney Ruben

President.

**BOND STORES
AND WHOLLY-OWNED
CONSOLIDATED BALANCE SHEET**

ASSETS

Current Assets:

Cash on hand and in banks		\$10,773,073.64
Accounts receivable—customers	\$7,134,818.66	
Less: Reserve for doubtful accounts	<u>296,207.57</u>	6,838,611.09
Miscellaneous accounts receivable, sales tax stamps, etc.		215,651.44

Merchandise Inventories—Note A:

Woolens, trimmings, etc.	\$3,592,945.44	
Work in process	2,407,319.31	
Finished goods	<u>12,395,090.83</u>	18,395,355.58

Total Current Assets \$36,222,691.75

Miscellaneous other assets 286,874.36

Fixed Assets—At Cost—Note B:

Land	\$6,182,329.34	
Buildings	\$7,657,705.99	
Less: Reserve for depreciation	<u>638,237.37</u>	7,019,468.62
Machinery, furniture, fixtures and equipment	\$3,550,994.67	
Less: Reserve for depreciation	<u>1,394,151.65</u>	2,156,843.02
Alterations, improvements and leaseholds	\$1,752,386.62	
Less: Reserve for amortization	<u>434,843.50</u>	1,317,543.12
Total Fixed Assets		16,676,184.10

Deferred Charges:

Prepaid rent and advances to landlords on improvements to leased properties	\$ 260,675.60	
Unexpired insurance and other prepaid expenses	<u>492,196.30</u>	752,871.90

\$53,938,622.11

The Notes to Consolidated Financial Statements are an integral part of these statements.

INCORPORATED

OWNED SUBSIDIARIES

SHEET AS AT DECEMBER 31, 1947

LIABILITIES

Current Liabilities:

Accounts payable	\$ 621,153.27
Customers' deposits, etc.	373,506.13
Advances from landlords and others for building construction, etc.	460,040.79
Accrued salaries, taxes other than Federal taxes on income, expenses, etc.	3,172,767.27
Reserve for Federal taxes on income—Note C	5,474,259.46
Mortgage payable—current installments—Note B	<u>72,454.25</u>
Total Current Liabilities	\$10,174,181.17

Mortgage and mortgage bonds payable by subsidiaries—Note B	\$5,448,178.96
Less: Current installments shown above	<u>72,454.25</u>
Total	<u>5,375,724.71</u>
	\$15,549,905.88

Capital Stock:

Preferred Stock—Par Value \$100.00 Per Share:

	<i>Shares</i>
Authorized—to be issued in series as designated by the Board of Directors	100,000
Retired and cancelled	<u>60,000</u>
Authorized—but not designated	<u>40,000</u>

Common Stock—Par Value \$1.00 Per Share:

Authorized	<u>2,500,000</u>	
Issued and outstanding	<u>1,688,394.94</u>	1,688,394.94
Capital surplus—Exhibit B	\$11,596,135.77	
Earned surplus—Exhibit B	<u>25,104,185.52</u>	36,700,321.29
		<u>\$53,938,622.11</u>

BOND STORES, INCORPORATED
AND WHOLLY-OWNED SUBSIDIARIES
CONSOLIDATED STATEMENT OF SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1947

Capital Surplus:

Balance—December 31, 1946	\$11,537,837.07
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Add:

Surplus of wholly-owned subsidiary company at date of acquisition	58,298.70
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Balance—December 31, 1947—Exhibit A	\$11,596,135.77
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Earned Surplus:

Balance—December 31, 1946	\$19,752,611.47
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Add:

Net income for the year transferred from Consolidated Statement of Income—Exhibit C	8,728,300.55
	\$28,480,912.02

Deduct:

Dividends on common stock	3,376,726.50
Balance—December 31, 1947—Exhibit A	\$25,104,185.52

The Notes to Consolidated Financial Statements are an integral
part of this statement and should be read in conjunction herewith.

BOND STORES, INCORPORATED
AND WHOLLY-OWNED SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1947

Sales		\$83,215,403.89
Cost of goods sold, stores and general and administrative expenses, exclusive of depreciation and amortization		69,911,671.47
		<u>\$13,303,732.42</u>
Add:		
Income from real estate operations of subsidiary, before de- ducting depreciation	\$578,741.72	
Other income	632,987.19	1,211,728.91
		<u>\$14,515,461.33</u>
Deduct:		
Depreciation	\$299,823.69	
Amortization	65,337.09	365,160.78
		<u></u>
Net income for the year before Federal taxes on income		\$14,150,300.55
Provision for Federal taxes on income		5,422,000.00
		<u></u>
Net income for the year, transferred to earned surplus—Exhibit B		<u>\$ 8,728,300.55</u>

The Notes to Consolidated Financial Statements are an integral
part of this statement and should be read in conjunction herewith.

BOND STORES, INCORPORATED
AND WHOLLY-OWNED SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1947

NOTE A: Merchandise inventories are stated at or below the lower of cost (prime cost as to goods manufactured by the Corporation, retail inventory method as to furnishings and invoice cost as to other merchandise, substantially on the "first-in, first-out" basis) or replacement market. These methods for valuing the inventories are consistent with the practice of prior years.

NOTE B: Land and buildings, which are carried on the balance sheet in the total amount of \$13,201,797.96, are comprised principally of property located at 45th Street and Broadway, New York City, owned by Adda, Inc., a wholly-owned subsidiary; properties in Rochester, New York, including the new factory under construction; land located in Chicago, Illinois, acquired during the year by Stajac, Inc., a wholly-owned subsidiary; factory in New Brunswick, New Jersey; and the shirt factories, owned by wholly-owned subsidiaries, acquired during the year.

The property owned by Adda, Inc. is subject to a mortgage in the principal amount of \$3,448,178.96, under which the Corporation is not obligated. Adda, Inc. is required to make quarterly payments of \$50,187.50 to December 13, 1954 and \$52,468.75 thereafter to December 13, 1959. The balance of the respective payments, after deducting interest at rates which vary during certain periods, is applied against the principal amount of the mortgage. The balance of the mortgage becomes due and payable on December 13, 1959, but Adda, Inc. may, on or after December 13, 1954, pay the then unamortized principal amount of the mortgage.

The property located in Chicago, Illinois, owned by Stajac, Inc. is subject to a First Mortgage securing the payment of First Mortgage Bonds issued and to be issued by Stajac, Inc. under an indenture dated as of December 15, 1947, under which the Corporation is not obligated. The authorized amount of these bonds is \$3,500,000.00, of which \$2,000,000.00 were issued and outstanding as at December 31, 1947, and Stajac, Inc. expects to issue the remaining bonds during construction of a building. The Corporation has guaranteed the completion of the new building. The indenture provides, among other things, for quarterly payments commencing not later than April 1, 1949 to the sinking fund of an amount equal to the difference between \$50,000.00 and the installment of interest due on the particular interest date.

NOTE C: The Federal income and excess profits tax returns of the Corporation have been examined up to and including the year ended December 31, 1944 and all assessments have been paid or accrued.

The Corporation has filed claims under Section 722 of the Internal Revenue Code for refund of a substantial amount of excess profits taxes for the years 1940 to 1945, inclusive. No effect has been given to these claims in the accompanying financial statements.

The accompanying financial statements are subject to final determination of Federal, state and local taxes.

GENERAL: Reference is made to the comments in the attached President's letter in respect of the Corporation's expansion and replacement program which will require further substantial expenditures for completion of the new factory and store buildings and equipment, and for alterations and improvements to store properties.

ACCOUNTANTS' REPORT

To the Board of Directors,
BOND STORES, INCORPORATED,
New York, N. Y.

We have examined the consolidated balance sheet of Bond Stores, Incorporated and wholly-owned subsidiaries as at December 31, 1947 and the consolidated statements of income and surplus for the year then ended; have reviewed the system of internal control and accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of income and surplus, together with the notes to consolidated financial statements, present fairly the consolidated position of Bond Stores, Incorporated and wholly-owned subsidiaries at December 31, 1947 and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y., March 22, 1948

S. D. LEIDESDORF & CO.

BOND STORES ARE LOCATED IN THE FOLLOWING CITIES

AKRON, OHIO	FLINT, MICH.	OAKLAND, CALIF.
ALBANY, N. Y.	HARRISBURG, PA.	PHILADELPHIA, PA.
ATLANTA, GA.	HARTFORD, CONN.	PITTSBURGH, PA.
BALTIMORE, MD.	HOUSTON, TEXAS	PROVIDENCE, R. I.
BIRMINGHAM, ALA.	JERSEY CITY, N. J.	READING, PA.
BOSTON, MASS.	KANSAS CITY, MO.	ROCHESTER, N. Y.
BUFFALO, N. Y.	LORAIN, OHIO	SAN FRANCISCO, CALIF.
CHICAGO, ILL. (4 stores)	LOS ANGELES, CALIF.	SCHENECTADY, N. Y.
CINCINNATI, OHIO	LOUISVILLE, KY.	SCRANTON, PA.
CLEVELAND, OHIO	MEMPHIS, TENN.	ST. LOUIS, MO.
COLUMBUS, OHIO	MILWAUKEE, WISC.	SYRACUSE, N. Y.
DALLAS, TEXAS	NEWARK, N. J.	TOLEDO, OHIO
DAYTON, OHIO	NEW BRUNSWICK, N. J.	TRENTON, N. J.
DES MOINES, IOWA	NEW HAVEN, CONN.	WASHINGTON, D. C.
DETROIT, MICH. (2 stores)	NEW YORK, N. Y. (8 stores)	WILKES-BARRE, PA.
		YOUNGSTOWN, OHIO

Factories in Rochester, N. Y., New Brunswick, N. J. and Buffalo, N. Y.

